

McCRACKEN COUNTY, KENTUCKY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1- 2
McCracken County Officials	3
Basic Financial Statements:	
Statement of Net Assets	4
Statement of Activities	5
Balance Sheet – Governmental Funds	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	7
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Statement of Fund Net Assets (Liabilities) – Proprietary Funds	10
Statement of Revenues, Expenses and Changes in Fund Net Assets (Liabilities) – Proprietary Funds	11
Statement of Cash Flows – Proprietary Funds	12
Statement of Fiduciary Net Assets	13
Notes to Financial Statements	14-33
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	34-41
Budgetary Comparison Schedule – Road Fund	42-43
Budgetary Comparison Schedule – Jail Fund	44-46
Budgetary Comparison Schedule – Sheriff Fund	47-48
Budgetary Comparison Schedule – Federal Grant Fund	49
Budgetary Comparison Schedule – Note to RSI	50-51
Supplementary Information:	
Combining Balance Sheet – Nonmajor Governmental Funds	52
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	53
Schedule of Expenditures of Federal Awards	54
Report on Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Governmental Auditing Standards</i>	55
Report on Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133	56-57
Schedule of Findings and Questioned Costs	58
Appendix A	59

WILLIAMS, WILLIAMS & LENTZ, LLP
CERTIFIED PUBLIC ACCOUNTANTS
601 JEFFERSON
PADUCAH, KENTUCKY 42001

J. RICHARD WALKER
JERRY G. SEVERNS
ROBERT R. ROBERTSON
C. SUZETTE CRONCH
MICHAEL F. KARNES
MARK A. THOMAS
ROGER G. HARRIS
J. DAVID BAILEY, III

G. LEON WILLIAMS, 1926-2004
H. WILLIAM LENTZ

MAILING ADDRESS
POST OFFICE BOX 2500
PADUCAH, KY 42002-2500

TELEPHONE
270-443-3643

FAX
270-444-0652

WEBSITE
www.willcpa.com

Independent Auditor's Report

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary of Finance and
Administration Cabinet
Honorable Van Elliott Newberry, McCracken
County Judge/Executive
Honorable Danny B. Orazine, former
McCracken County Judge/Executive
Members of the McCracken County
Fiscal Court

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McCracken County, Kentucky as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of McCracken County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McCracken County, Kentucky, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2006, on our consideration of McCracken County Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The County has not presented Management Discussion and Analysis that accounting principles generally accepted in the United States has determined necessary to supplement, although not required to be apart of, the basic financial statements.

The budgetary comparison information presented on pages 34 through 51 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise McCracken County, Kentucky's basic financial statements. The accompanying supplemental information, combining fund financial statements, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Williams, William F. Lundy, LLP". The signature is written in a cursive, flowing style.

October 20, 2006

McCRACKEN COUNTY, KENTUCKY
SCHEDULE OF COUNTY OFFICIALS
JUNE 30, 2006

FISCAL COURT MEMBERS

Danny B. Orazine, County Judge/Executive

Zana Renfro, Commissioner

Bob Grimm, Commissioner

Ronnie Freeman, Commissioner

OTHER ELECTED OFFICIALS

Dan Boaz, County Attorney

Bill Adams, Jailer

Jeff Jerrell, County Clerk

Mike Lawrence, Circuit Court Clerk

Frank Augustus, Sheriff

Nancy Bock, Property Valuation Administrator

Dan Sims, Coroner

APPOINTED PERSONNEL

Steve Doolittle, County Administrator

Audra Herndon, County Treasurer

Angela Brown, Finance Officer

Shirley Valerius, Jail Administrative Assistant

BASIC FINANCIAL STATEMENTS

McCRACKEN COUNTY, KENTUCKY
STATEMENT OF NET ASSETS
JUNE 30, 2006

<u>ASSETS</u>	Primary Government		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash in bank	\$ 6,029,512	\$ 23,414	\$ 6,052,926
Accounts receivable (net):			
Taxes	4,051,673	-	4,051,673
Intergovernmental	1,534,570	-	1,534,570
Other	153,169	-	153,169
Notes receivable	208,785	-	208,785
Nondepreciated capital assets:			
Land and land improvements	1,473,832	-	1,473,832
Depreciated capital assets (net):			
Buildings	16,570,675	-	16,570,675
Roads and infrastructure	33,891,254	-	33,891,254
Furniture and equipment	2,186,816	-	2,186,816
Construction in progress	373,091	-	373,091
 Total assets	 <u>66,473,377</u>	 <u>23,414</u>	 <u>66,496,791</u>
 <u>LIABILITIES</u>			
Accounts payable	799,449	5,274	804,723
Internal balances	(49,000)	49,000	-
Matured interest outstanding	99,877	-	99,877
Accrued payroll and related expenses	92,106	-	92,106
Deferred revenues	3,089,798	-	3,089,798
Long-term obligations:			
Due within one year:			
Outstanding bonds	255,178	-	255,178
Notes payable	205,102	-	205,102
Obligations under capital lease	294,368	-	294,368
Due beyond one year:			
Outstanding bonds	4,919,573	-	4,919,573
Outstanding notes payable	6,137,750	-	6,137,750
Obligations under capital lease	981,185	-	981,185
Landfill post-closure costs	2,062,500	-	2,062,500
Accrued compensated absences	403,820	-	403,820
 Total liabilities	 <u>19,291,706</u>	 <u>54,274</u>	 <u>19,345,980</u>
 <u>NET ASSETS</u>			
Invested in capital assets, net of related debt	43,492,334	-	43,492,334
Restricted for:			
Accrued compensated absences	403,820	-	403,820
Debt service	55,036	-	55,036
Unrestricted	3,230,481	(30,860)	3,199,621
 TOTAL NET ASSETS	 <u><u>\$47,181,671</u></u>	 <u><u>\$ (30,860)</u></u>	 <u><u>\$47,150,811</u></u>

See accompanying notes to the basic financial statements.

McCRACKEN COUNTY, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

<u>FUNCTIONS/PROGRAMS</u>		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals
	Expenses				Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental activities:							
General government	\$ 14,132,028	\$ 1,887,631	\$ 658,602	\$ 398,034	\$ (11,187,761)	\$ -	\$ (11,187,761)
Public safety	3,393,581	1,843,826	823,190	-	(726,565)	-	(726,565)
Health and sanitation	261,457	87,309	61,417	-	(112,731)	-	(112,731)
Social services	1,687,546	-	1,348,452	-	(339,094)	-	(339,094)
Recreation and culture	527,182	23,347	-	-	(503,835)	-	(503,835)
Highways and streets	1,562,703	-	1,744,266	-	181,563	-	181,563
Debt service	708,359	-	-	-	(708,359)	-	(708,359)
Total governmental activities	22,272,856	3,842,113	4,635,927	398,034	(13,396,782)	-	(13,396,782)
Business-type activities:							
Jail Canteen	57,779	41,471	-	-	-	(16,308)	(16,308)
TOTAL PRIMARY GOVERNMENT	\$ 22,330,635	\$ 3,883,584	\$ 4,635,927	\$ 398,034	(13,396,782)	(16,308)	(13,413,090)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes					4,993,022	-	4,993,022
Occupational taxes					5,359,490	-	5,359,490
Transient room taxes					553,183	-	553,183
Miscellaneous:							
Interest					207,445	-	207,445
Excess fees					48,462	-	48,462
Other					1,351,000	-	1,351,000
Total general revenues and transfers					12,512,602	-	12,512,602
Change in net assets					(884,180)	(16,308)	(900,488)
Net assets, July 1, 2005					48,065,851	(14,552)	48,051,299
NET ASSETS, JUNE 30, 2006					\$ 47,181,671	\$ (30,860)	\$ 47,150,811

See accompanying notes to the basic financial statements.

McCRACKEN COUNTY, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	Major Funds								
<u>ASSETS</u>	General Fund	Road Fund	Jail Fund	Sheriff Fund	Federal Grant Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Total Funds
Cash in bank	\$ 5,853,739	\$ -	\$ 2,232	\$ -	\$117,898	\$ 607	\$ -	\$ 55,036	\$ 6,029,512
Accounts receivable (net)	4,386,040	395,705	388,746	93,732	364,478	-	-	51,335	5,680,036
Due from other funds	349,225	-	-	-	9	-	-	2,619	351,853
Due from proprietary fund	-	-	49,000	-	-	-	-	-	49,000
TOTAL ASSETS	\$10,589,004	\$395,705	\$439,978	\$93,732	\$482,385	\$ 607	\$ -	\$108,990	\$12,110,401
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities:									
Accounts payable	\$ 211,733	\$224,946	\$178,686	\$15,565	\$101,087	\$ -	\$ -	\$ 67,432	\$ 799,449
Due to other funds	9	-	-	-	351,844	-	-	-	351,853
Accrued payroll	29,446	2,414	33,875	26,371	-	-	-	-	92,106
Deferred revenues	3,100,684	-	-	-	29,454	-	-	-	3,130,138
Total liabilities	3,341,872	227,360	212,561	41,936	482,385	-	-	67,432	4,373,546
Fund Balances:									
Reserved for:									
Debt service	-	-	-	-	-	607	-	55,036	55,643
Other purposes	-	-	-	-	-	-	-	(13,478)	(13,478)
Unreserved	7,247,132	168,345	227,417	51,796	-	-	-	-	7,694,690
Total fund balances	7,247,132	168,345	227,417	51,796	-	607	-	41,558	7,736,855
TOTAL LIABILITIES AND FUND BALANCES	\$10,589,004	\$395,705	\$439,978	\$93,732	\$482,385	\$ 607	\$ -	\$108,990	\$12,110,401

See accompanying notes to the basic financial statements.

McCRACKEN COUNTY, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
JUNE 30, 2006

Total fund balances - total governmental funds \$ 7,736,855

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets are \$125,046,469 and the accumulated depreciation is \$70,550,801. 54,495,668

Notes receivable are not due and receivable in the current period and, therefore, are not reported as assets in the governmental funds. 208,785

Uncollected delinquent property taxes are not available for use under the modified accrual basis of accounting as reported in the governmental funds and are, therefore, deferred in the funds. 40,341

Insurance refund due from provider not available for use under the modified accrual basis of accounting as reported in the governmental funds and is, therefore, not reported in the funds as an account receivable. 59,375

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

Bonds outstanding	\$ 5,174,751	
Matured interest outstanding	99,877	
Notes payable	6,342,852	
Obligations under capital lease	1,275,553	
Landfill post-closure costs	2,062,500	
Accrued compensated absences	403,820	<u>(15,359,353)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 47,181,671

See accompanying notes to the basic financial statements.

McCRACKEN COUNTY, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Major Funds							Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Road Fund	Jail Fund	Sheriff Fund	Federal Grant Fund	Debt Service Fund	Capital Projects Fund		
Revenues:									
Taxes	\$10,351,383	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$10,351,383
Intergovernmental	963,576	1,501,583	271,500	7,800	2,115,292	314,027	60,233	174,395	5,408,406
Charges for services	718,132	-	-	-	-	-	-	-	718,132
Fees and fines	-	232,938	1,658,265	1,333,357	-	-	-	-	3,224,560
Miscellaneous	734,083	33,158	428,866	-	-	190	-	554,036	1,750,333
Total revenues	12,767,174	1,767,679	2,358,631	1,341,157	2,115,292	314,217	60,233	728,431	21,452,814
Expenditures:									
Current:									
General government	6,156,748	467,521	2,554,519	2,247,729	-	-	67,955	-	11,494,472
Public safety	619,403	-	2,469,953	-	680,855	-	-	126,285	3,896,496
Health and sanitation	234,412	-	-	-	-	-	-	-	234,412
Social services	123,717	-	-	-	1,601,953	-	-	389,600	2,115,270
Recreation and culture	247,289	-	-	-	-	-	-	-	247,289
Highways and streets	-	2,004,795	-	-	-	-	-	-	2,004,795
Debt service:									
Principal	-	-	-	-	-	531,200	-	125,000	656,200
Interest and other charges	-	-	-	-	-	477,661	-	197,250	674,911
Total expenditures	7,381,569	2,472,316	5,024,472	2,247,729	2,282,808	1,008,861	67,955	838,135	21,323,845
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	5,385,605	(704,637)	(2,665,841)	(906,572)	(167,516)	(694,644)	(7,722)	(109,704)	128,969
Other Financing Sources (Uses):									
Note proceeds	400,000	262,900	-	-	-	-	-	-	662,900
Operating transfers in	2,936,053	1,353,850	2,923,433	1,384,419	1,420,805	716,739	236,636	214,685	11,186,620
Operating transfers out	(8,219,864)	(1,017,863)	-	(440,617)	(1,253,289)	(21,488)	(138,272)	(95,227)	(11,186,620)
Total other financing sources (uses)	(4,883,811)	598,887	2,923,433	943,802	167,516	695,251	98,364	119,458	662,900
Net change in fund balances	501,794	(105,750)	257,592	37,230	-	607	90,642	9,754	791,869
Fund balances, July 1, 2005	6,745,338	274,095	(30,175)	14,566	-	-	(90,642)	31,804	6,944,986
FUND BALANCES, JUNE 30, 2006	\$ 7,247,132	\$ 168,345	\$ 227,417	\$ 51,796	\$ -	\$ 607	\$ -	\$ 41,558	\$ 7,736,855

See accompanying notes to the basic financial statements.

McCRACKEN COUNTY, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds	\$ 791,869
Capital outlays	1,488,498
Loss on disposals	(28,562)
Depreciation expense	(2,992,155)
Accrued property tax receivable	1,128
Accrued insurance receivable	59,375
Payment received on notes receivable	(46,636)
Additions to long-term debt	(662,900)
Amortization of deferred bond issuance costs	(72,357)
Repayment of principal on long-term debt	656,200
Accrued interest on long-term debt	(14,555)
Accrued long-term compensated absences	<u>(64,085)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (884,180)</u></u>

See accompanying notes to the basic financial statements.

McCRACKEN COUNTY, KENTUCKY
STATEMENT OF FUND NET ASSETS (LIABILITIES)
PROPRIETARY FUND
JUNE 30, 2006

<u>ASSETS</u>		Jail Canteen Fund
Current Assets:		
Cash and cash equivalents		<u>\$ 23,414</u>
TOTAL ASSETS		<u><u>\$ 23,414</u></u>
 <u>LIABILITIES AND NET ASSETS (LIABILITIES)</u>		
Current Liabilities:		
Accounts payable		\$ 5,274
Due to governmental fund		<u>49,000</u>
Total current liabilities		54,274
Net Assets (Liabilities):		
Unrestricted		<u>(30,860)</u>
TOTAL LIABILITIES AND NET ASSETS (LIABILITIES)		<u><u>\$ 23,414</u></u>

See accompanying notes to the basic financial statements.

McCRACKEN COUNTY, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS (LIABILITIES)
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Jail Canteen Fund
Operating Revenues:	
Canteen commission	<u>\$ 41,445</u>
Operating Expenses:	
Educational and recreational	19,301
Personnel costs	28,000
Depreciation expense	4,508
Rent expense	<u>5,970</u>
Total operating expenses	<u>57,779</u>
Operating income (loss)	(16,334)
Nonoperating Revenues (Expenses):	
Interest income	<u>26</u>
Change in net assets (liabilities)	(16,308)
Net assets (liabilities), July 1, 2005	<u>(14,552)</u>
NET ASSETS (LIABILITIES), JUNE 30, 2006	<u><u>\$(30,860)</u></u>

See accompanying notes to the basic financial statements.

McCRACKEN COUNTY, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Jail Canteen Fund
Cash Flows From Operating Activities:	
Commission earned	\$ 41,445
Educational and recreational	(14,451)
Operating lease rental payments	(5,970)
	<u>21,024</u>
Net cash provided by operating activities	
Cash Flows From Investing Activities:	
Interest earned	<u>26</u>
Net increase in cash and cash equivalents	21,050
Cash and cash equivalents, July 1, 2005	<u>2,364</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2006	<u><u>\$ 23,414</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income (loss)	\$(16,334)
Adjustment to reconcile operating income (loss) to net cash used by operating activities:	
Increase in accounts payable	4,850
Increase in due to governmental fund	28,000
Depreciation expense	4,508
	<u>4,508</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 21,024</u></u>

See accompanying notes to the basic financial statements.

McCRACKEN COUNTY, KENTUCKY
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006

	Agency Funds					Totals
	Car Rental Tax Fund	Jail Inmate Fund	Unclaimed Monies Fund	Transient Room Tax Fund	Industrial Development Authority Construction Fund	
<u>ASSETS</u>						
Current Assets:						
Cash and cash equivalents	<u>\$ 749</u>	<u>\$11,018</u>	<u>\$135,952</u>	<u>\$134,663</u>	<u>\$ -</u>	<u>\$282,382</u>
TOTAL ASSETS	<u><u>\$ 749</u></u>	<u><u>\$11,018</u></u>	<u><u>\$135,952</u></u>	<u><u>\$134,663</u></u>	<u><u>\$ -</u></u>	<u><u>\$282,382</u></u>
<u>LIABILITIES</u>						
Amounts held in custody for others	<u>\$ 749</u>	<u>\$11,018</u>	<u>\$135,952</u>	<u>\$134,663</u>	<u>\$ -</u>	<u>\$282,382</u>
TOTAL LIABILITIES	<u><u>\$ 749</u></u>	<u><u>\$11,018</u></u>	<u><u>\$135,952</u></u>	<u><u>\$134,663</u></u>	<u><u>\$ -</u></u>	<u><u>\$282,382</u></u>

See accompanying notes to the basic financial statements.

McCRACKEN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 1 - Summary of Significant Accounting Policies:

Reporting Entity

For financial reporting purposes, the McCracken County Fiscal Court includes the funds, agencies, boards, and entities for which the Fiscal Court (primary government) is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the primary government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the Fiscal Court is financially accountable or whose exclusion would cause the financial statements to be misleading or incomplete.

Component units may be blended or discretely presented. Blended component units are those that either provides their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. Amounts related to blended component units are included as if the component unit was part of the primary government.

McCracken County has no discretely presented component units.

Blended Component Unit

The following legally separate organization provides their services exclusively to the primary government, and the Fiscal Court is able to impose its will on this organization. This organization's balances and transactions are reported as though it is part of the primary government using the blended method.

McCracken County Public Properties Corporation

The McCracken County Fiscal Court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the Fiscal Court is financially accountable and legally obligated for the debt of the Public Properties Corporation. Financial information for the Public Properties Corporation is blended within McCracken County's financial statements. All activities of the Public Properties Corporation are accounted for within a major debt service fund.

Additional – McCracken County Constitutional Elected Officials

The Kentucky constitution provides for election of the following officials from the geographic area constituting McCracken County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the Fiscal Court, various cities and special districts within the County, and the Board of Education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

(Continued)

McCRACKEN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 1 - Summary of Significant Accounting Policies:

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities report information on all governmental and business-type activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities are generally characterized by their use of taxes and intergovernmental revenues as funding sources. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in government-wide financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenues once provider-imposed eligibility requirements have been met.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities with the difference between the two shown as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

A significant feature of the government-wide statement of activities is the presentation of each program's net (expenses) revenues. Generally Accepted Accounting Principles (GAAP) require the reporting of a program's net (expenses) revenues to indicate how self-sustaining the program is and to reveal the extent of reliance on other governmental units.

Program revenues are resources that derive directly from the program itself or from parties outside the government that reduce the total expense of the benefiting functional activity to arrive at the net expense of the activity. The statement of activities categorizes program revenues into three groups: charges for services; operating grants and contributions; and capital grants and contributions. Revenues not considered program revenues are classified as general revenues. General revenues include all taxes regardless of type.

Fund Financial Statements

The accompanying financial statements are structured into three fund categories including governmental funds, proprietary funds and fiduciary funds. Funds are characterized as either major or nonmajor. Major funds are those funds whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds of the category or type (governmental or enterprise funds), and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The Fiscal Court may also designate any fund as a major fund.

(Continued)

McCRACKEN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 1 - Summary of Significant Accounting Policies:

Basis of Presentation

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

All governmental fund statements are accounted for on the modified accrual basis of accounting and focus on the flow of current financial resources. In accordance with the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the fiscal period. Revenues are considered to be available when they are either collected within the current period or their collection is expected shortly after the end of the current period in time to meet current liabilities. The County generally includes those revenues to be received up to 60 days following the end of the accounting period.

In governmental funds, where the focus is on the flow of current resources, expenditures are usually recorded at the time liabilities are incurred. Exceptions are: inventories, prepayments, and acquisition of capital assets which are recorded at the time of acquisition; principal and interest on long-term debt, as well as compensated absences which are recorded as expenditures in the period payment is made.

The government reports the following major governmental funds:

General Fund – This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund – This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the Fiscal Court to maintain these revenues and expenditures separately from the General Fund.

Jail Fund – The primary purpose of this fund is to account for the jail expenses of the County. The primary sources of revenue for this fund are reimbursements from the state, other counties for housing prisoners and transfers from the General Fund. The Governor's Office for Local Development requires the Fiscal Court to maintain these revenues and expenditures separately from the General Fund.

Sheriff Fund – The primary purpose of this fund is to account for the expenses of the sheriff's department. The primary sources of revenue for this fund are reimbursements from the state and fees and fines collected.

Federal Grant Fund – The primary purpose of this fund is to account for federal grant monies that are received and expended by the County.

Debt Service Fund – The primary purpose of this fund is to account for the accumulation of resources for, and the payment of general long-term debt principal and interest of the McCracken County Public Properties Corporation.

Capital Projects Fund – The primary purpose of this fund is to account for the expenses incurred for the construction of capital assets.

(Continued)

McCRACKEN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 1 - Summary of Significant Accounting Policies:

Basis of Presentation

Fund Financial Statements

Governmental Funds

The primary government also has the following nonmajor funds:

Juvenile Justice Fund, State Grant Fund, Local Government Economic Assistance Fund, and Transient Room Holding Fund.

Special Revenue Funds – The Road Fund, Jail Fund, Sheriff Fund, Federal Grant Fund, Juvenile Justice Fund, State Grant Fund, and Local Government Economic Assistance Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Funds – The Transient Room Holding Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds use the full accrual basis of accounting, recognizing revenues and expense when they occur, regardless of the timing of the cash flows. On the statement of revenues, expenses, and changes in net assets, the term “expenses” (not “expenditures” as in governmental funds on a modified accrual basis) describes the decrease in economic benefits and emphasizes the accrual basis of accounting.

Proprietary funds’ revenues and expenses are divided into operating and nonoperating revenues and expenses. Although not specifically defined by GAAP, operating revenues and expenses are considered to be those resources gained and consumed to produce and deliver goods and services that are central to that fund’s particular purpose. Other revenues and expenses are classified as nonoperating. Operating and nonoperating expense are further characterized by object.

Furthermore, the government has adopted the provisions of GASB Statement No. 20, “Accounting and Financial Reporting for Proprietary Funds and Other Governmental Funds that use Proprietary Fund Accounting.” As permitted by GASB Statement No. 20, the government’s proprietary fund has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless GASB specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the County treasurer the revenues and expenses of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds are defined as funds used to report assets held in a trustee or agency capacity for others which, therefore, cannot be used to support the government’s own programs. This category of funds includes agency funds. The government’s fiduciary funds types are described below.

(Continued)

McCRACKEN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 1 - Summary of Significant Accounting Policies:

Basis of Presentation

Fund Financial Statements

Fiduciary Funds

Agency Funds account for monies held by the County for custodial purpose only. Unlike other funds, the agency funds report assets and liabilities only; therefore, they have no measurement focus. However, the agency funds use the accrual basis of accounting when recognizing payables and receivables.

The Agency funds of McCracken County are the Car Rental Tax Fund, Unclaimed Monies Fund, Jail Inmate Fund, Transient Room Tax Fund, and the Industrial Development Construction Fund.

Since fiduciary fund resources are not available to support government programs, fiduciary funds are excluded from the government-wide financial statements. Inclusion of these funds would create a misleading view of the government's position and result of activities.

Fund Balance

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent the Fiscal Court's intended use of the resources and reflect actual plans approved by the Fiscal Court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose and long-term receivables.

Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents are reported at cost.

KRS 66.480 authorizes the County to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). However, McCracken County did not have any investments as of June 30, 2006.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details of interfund transactions, including receivables and payables at year end.

(Continued)

McCRACKEN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 1 - Summary of Significant Accounting Policies:

Receivables

Government-wide Financial Statements

In the government-wide financial statements, receivables consist of all revenues earned at year end and not yet received. Major receivable balances for the governmental activities include property taxes.

Fund Financial Statements

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Financial Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	20-50 years
Furniture and Equipment	5-10 years
Infrastructure	15-50 years

Fund Financial Statements

Fund financial statements for governmental funds expense capital assets when purchased. Such assets are recorded at historical cost, or estimated historical cost when purchased or constructed, or fair market value at the time of donation. Fund financial statements for proprietary funds account for capital assets the same as the government-wide financial statements.

Long-Term Debt

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

(Continued)

McCRACKEN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 1 - Summary of Significant Accounting Policies:

Compensated Absences

The County's policies regarding vacation time permit employees to accumulate earned but unused vacation and sick leave. Accumulated vacation leave is paid upon termination or retirement. The liability for accumulated vacation leave is recorded as long-term debt in the government-wide statements. Accumulated sick leave is not recorded due to the contingent nature of the liability. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Property Taxes

The County's primary revenues are property taxes, fees, grants and other intergovernmental payments.

The McCracken County Clerk bills and the Sheriff collects property taxes for the County. The taxes are remitted to the County by the Sheriff's office. County property tax revenues are recognized when levied in accordance with GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

The due dates and collection period for all property taxes for the year ended June 30, 2006, are as follows:

<u>Description</u>	<u>Date</u>
Assessment and enforceable lien	January 1, 2005
Levy	September 13, 2005
Face value amount payment dates	December 31, 2005
Delinquent date	January 1, 2006

Budgetary Information

The budget is adopted on a cash basis of accounting and according to laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1. The Fiscal Court may change the original budget by transferring appropriations at the activity level, but may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Related Organizations

County officials are also responsible for appointing the members of boards of other organizations, but the County's accountability for these organizations does not extend beyond appointing authority. The organizations listed below are notable related organizations, which have not been included in the County's report.

Paducah-McCracken County Convention Center
Paducah-McCracken County Visitors Bureau
McCracken County Extension District
Paducah-McCracken County Joint Sewer Agency
West McCracken Water/Sewer District
Paducah-McCracken County Senior Citizens Center
Paducah-McCracken County Industrial Dev. Authority

Hendron Fire District
Concord Fire Protection District
McCracken County Public Library
West McCracken Fire District
Hendron Water District
Lone Oak Fire District
Reidland-Farley Fire District

(Continued)

McCRACKEN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 1 - Summary of Significant Accounting Policies:

Joint Ventures

The County participates in several separate activities that are subject to joint control in which the County maintains an ongoing financial interest and responsibility. The following is a list of joint ventures in which the County is a participant.

Paducah-McCracken County 911
McCracken and Paducah Geographic Information System
Paducah-McCracken County Telecommunications/Information

Note 2 - Stewardship, Compliance, and Accountability:

By its nature as a local government unit, the County is subject to various federal, state, and local laws and contractual regulations. The government-wide and fund financial statements serve as an analysis of the County's compliance with significant laws and regulations and demonstration of its stewardship over County resources.

The County complies with all federal, state, and local laws and regulations requiring the use of separate funds.

Note 3 - Detail Notes on Transaction Classes/Accounts:

Deposits

The County maintains deposits of public funds with depository institutions insured by the FDIC. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2006, the County's deposits were fully insured or collateralized at a 100 percent level with collateral of either pledged securities held by the County's agent not in the County's name, or provided surety bond which named the County as beneficiary/obligee on the bond.

At year end, the carrying amount of the Fiscal Court's cash in bank was \$6,335,308 and the bank balance was \$7,105,018. As of June 30, 2006, \$107,000 of the County's bank balance was covered by FDIC insurance, and the remaining balance of \$6,998,018 was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The remaining balance of \$6,998,018 was uninsured and collateralized with securities held by the pledging bank's agent not in the County's name.

(Continued)

McCRACKEN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

Note 3 - Detail Notes on Transaction Classes/Accounts:

Disaggregation of Accounts Payable and Accounts Receivable

Accounts payable of the government represents amounts owed by the County as of June 30, 2006. Those liabilities that must be paid within one year are considered current. Amounts due after one year are deemed noncurrent liabilities. Accounts receivable are amounts owed to the government. Similar to accounts payable, any amounts to be received within one year are classified as current. All other receivables are noncurrent. For Governmental Activities and Business-Type Activities, the line indicating "Accounts Payable" and "Net Receivables" are described below.

Under the modified accrual basis of accounting, as used in the fund statements, amounts outstanding but owed at the end of the year may be recorded in one of two ways. If the receivable is measurable and expected to be collected within 60 days, revenue is recognized. However, if the receivable is not expected to be collected within 60 days, it is not considered to be available to liquidate the liabilities of the current period and will be reported as deferred revenue. Furthermore, unearned revenue is always reported as deferred revenue. Deferred revenue is reported as a liability until meeting the criteria for revenue recognition.

<u>Governmental Funds</u>					
	<u>Major Funds</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>		
Accounts Receivable:					
Taxes	\$4,218,020	\$ -	\$4,218,020		
License and permits	241,470	-	241,470		
Intergovernmental	1,046,993	51,335	1,098,328		
Charges for services	134,172	-	134,172		
Miscellaneous revenues	63,373	-	63,373		
Allowance for doubtful accounts	<u>(75,327)</u>	<u>-</u>	<u>(75,327)</u>		
TOTAL ACCOUNTS RECEIVABLE	<u>\$5,628,701</u>	<u>\$51,335</u>	<u>\$5,680,036</u>		

<u>Governmental Funds</u>			<u>Business- Type Activities</u>		
	<u>Major Funds</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>	<u>Major Fund</u>	<u>Total Primary Government</u>
Accounts Payable:					
General government	\$ 126,836	\$ -	\$ 126,836	\$ -	\$126,836
Protection to persons and property	194,251	67,432	261,683	5,274	266,957
General health and sanitation	30,483	-	30,483	-	30,483
Social services	132,395	-	132,395	-	132,395
Recreation and culture	23,106	-	23,106	-	23,106
Road	<u>224,946</u>	<u>-</u>	<u>224,946</u>	<u>-</u>	<u>224,946</u>
TOTAL ACCOUNTS PAYABLE	<u>\$ 732,017</u>	<u>\$67,432</u>	<u>\$ 799,449</u>	<u>\$5,274</u>	<u>\$804,723</u>

(Continued)

McCRACKEN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

Note 3 - Detail Notes on Transaction Classes/Accounts:

Notes Receivable

The County has a note receivable from the City of Paducah for fifty percent of a railroad spur project in the principal amount of \$81,285. Payment from the City is received monthly in conjunction with the terms of the County's lease payments for the financing of the project. Final payment is expected to be received by August 20, 2009.

The County has a note receivable from the City of Paducah for fifty percent of a speculative building project in the principal amount of \$127,500. Payment from the City is received monthly in conjunction with the terms of the County's lease payments for financing of the project. Final payment is expected to be received by July 20, 2010.

Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

	Primary Government		
	Balance July 1, 2005	Increases	Decreases
Governmental Activities:			
Capital assets, not being depreciated:			
Land and land improvements	\$ <u>1,376,582</u>	\$ <u>97,250</u>	\$ <u>-</u>
Capital assets, being depreciated:			
Buildings	30,657,457	-	(107,000)
Furniture and equipment	4,647,222	968,263	(48,150)
Infrastructure	87,031,860	49,894	-
Construction in progress	<u>-</u>	<u>373,091</u>	<u>-</u>
Total capital assets, being depreciated	<u>122,336,539</u>	<u>1,391,248</u>	<u>(155,150)</u>
Less accumulated depreciation:			
Buildings	(13,616,601)	(459,303)	96,122
Furniture and equipment	(3,013,491)	(397,498)	30,470
Infrastructure	<u>(51,055,146)</u>	<u>(2,135,354)</u>	<u>-</u>
Total accumulated depreciation	<u>(67,685,238)</u>	<u>(2,992,155)</u>	<u>126,592</u>
Total capital assets, being depreciated, net	<u>54,651,301</u>	<u>(1,600,907)</u>	<u>(28,558)</u>
GOVERNMENTAL ACTIVITIES			
CAPITAL ASSETS, NET	<u>\$ 56,027,883</u>	<u>\$ (1,503,657)</u>	<u>\$ (28,558)</u>

(Continued)

McCRACKEN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

Note 3 - Detail Notes on Transaction Classes/Accounts:

Capital Assets

	Primary Government		
	Balance July 1, 2005	Increases	Decreases
Business-type Activities:			
Capital assets, being depreciated:			
Vehicles and equipment	\$ 47,544	\$ -	\$ -
Less accumulated depreciation:			
Vehicles and equipment	<u>(43,035)</u>	<u>(4,509)</u>	<u>-</u>
Total capital assets, being depreciated, net	<u>4,509</u>	<u>(4,509)</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES			
CAPITAL ASSETS, NET	<u>\$ 4,509</u>	<u>\$ (4,509)</u>	<u>\$ -</u>

Depreciation expense was charged to the function of general government as follows:

Governmental Activities:

General government:	
General Fund	\$ 301,293
Road Fund	2,247,522
Jail Fund	215,303
Sheriff Fund	108,555
Federal Grant Fund	<u>119,482</u>
TOTAL DEPRECIATION EXPENSE – GOVERNMENTAL ACTIVITIES	<u>\$2,992,155</u>

Business-type Activities:

Jail Canteen	<u>\$ 4,509</u>
--------------	-----------------

Interfund Transactions and Balances

Individual Fund Operating Transfers

Operating transfers during the year ended June 30, 2006, were as follows:

Fund:	Interfund Transfers In	Interfund Transfers Out
General Fund	\$ 2,936,053	\$ 8,219,864
Road Fund	1,353,850	1,017,863
Jail Fund	2,923,433	-
Sheriff Fund	1,384,419	440,617
Federal Grant Fund	1,420,805	1,253,289
Debt Service Fund	716,739	21,488
Capital Projects Fund	236,636	138,272
Juvenile Justice Fund	136,179	-
State Grant Fund	78,506	85,482
Local Government Economic Assistance Fund	<u>-</u>	<u>9,745</u>
TOTALS	<u>\$11,186,620</u>	<u>\$11,186,620</u>

(Continued)

McCRACKEN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

Note 3 - Detail Notes on Transaction Classes/Accounts:

Due To/From Balances

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Federal Grant Fund	\$ 349,225
State Grant Fund	Federal Grant Fund	2,619
Federal Grant Fund	General Fund	9
Jail Fund	Jail Canteen Fund	49,000

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Lease Agreements

On May 18, 1999, the County entered into a lease agreement with Rape Victim Services for a building in which to conduct the activities of Rape Victim Services, Inc. The lease is for 99 years beginning in July, 1999. The lessee agreed to pay the County one dollar on or before January 1 of each year.

On February 21, 2003, the County entered into a lease agreement with the Family Service Society, Inc. for a building in which to conduct the activities of the Family Service Society, Inc. The lease is for five years beginning on February 21, 2003, and ending on February 21, 2008, or terminating on such date as the property is transferred from the McCracken County Fiscal Court to Family Service Society, Inc. The lessee agreed to pay the County one dollar on or before February 21 of each year.

On March 30, 2005, the Jail entered into an operating lease agreement with General Motors Acceptance Corporation for a truck in which to conduct the Class D's performance of litter abatement duties. Monthly payments are to be made beginning March 30, 2005, with final payment due on March 29, 2008. The jail commissary fund reflects \$5,970 in rental expense for the year ended June 30, 2006. Future payments are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Total Payment</u>
2007	\$ 5,970
2008	4,477
TOTAL	<u>\$10,477</u>

On June 1, 2004, the City of Paducah ("City") and County entered into a lease agreement with the Paducah McCracken County Industrial Development Authority. The leased property is an approximately 100,000 square foot building located in Industrial Park West. This project was financed with the City's General Obligation Public Project Bonds, Series 2004, dated June 1, 2004, and the County's issuance of a note payable to the City for fifty percent of the project in the principal amount of \$2,500,000. The lease period commenced with the issuance of the bonds and ends on August 15, 2024. Lease payments are solely derived from revenues received from a sublease and payments are expected as follows:

<u>Fiscal Year Ended June 30</u>	<u>Total Payment</u>
2007	\$ -
2008	338,162
2009	405,795
2010-2014	<u>6,053,105</u>
TOTAL	<u>\$6,797,062</u>

(Continued)

McCRACKEN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

Note 3 - Detail Notes on Transaction Classes/Accounts:

Lease Agreements

On August 20, 2004, the County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) in the amount of \$250,000. This lease was authorized for the purpose of financing the construction of a railroad spur adjacent to the Industrial Park West building described above. The City of Paducah has issued a note payable to the County for fifty percent of the project in the principal amount of \$125,000. Monthly principal and interest payments are to be made beginning September 20, 2004, with final payment due on August 20, 2009. Prior to May 1 of each fiscal year during the lease term, the County is informed of the interest rate set for the next fiscal year. Based on the rate of 4.25 percent provided for the fiscal year beginning July 1, 2006, future payments are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2007	\$ 49,712	\$ 7,084	\$ 56,796
2008	51,195	4,565	55,760
2009	52,723	1,964	54,687
2010	<u>8,939</u>	<u>69</u>	<u>9,008</u>
TOTALS	<u>\$162,569</u>	<u>\$13,682</u>	<u>\$176,251</u>

On August 20, 2004, the County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) in the amount of \$300,000. This lease was authorized for the purpose of financing the replacement of the jail's roof. Monthly principal and interest payments are to be made beginning September 20, 2004, with the final payment due on August 20, 2009. Prior to May 1 of each fiscal year during the lease term, the County is informed of the interest rate set for the next fiscal year. Based on the rate of 4.25 percent provided for the fiscal year beginning July 1, 2006, future payments are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2007	\$ 59,655	\$ 8,500	\$ 68,155
2008	61,435	5,479	66,914
2009	63,267	2,357	65,624
2010	<u>10,727</u>	<u>83</u>	<u>10,810</u>
TOTALS	<u>\$195,084</u>	<u>\$16,419</u>	<u>\$211,503</u>

(Continued)

McCRACKEN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

Note 3 - Detail Notes on Transaction Classes/Accounts:

Lease Agreements

On May 27, 2005, the County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) in the amount of \$300,000. This lease was authorized for the purpose of partially financing the Industrial Development Authority's construction of a new speculative building in the Industrial Park West. The City of Paducah has issued a note payable to the County for fifty percent of the project in the principal amount of \$150,000. Annual principal payments and monthly interest payments are to be made beginning July 20, 2005, with final payment due on July 20, 2010. Prior to May 1 of each fiscal year during the lease term, the County is informed of the interest rate set for the next fiscal year. Based on the rate of 4.25 percent provided for the fiscal year beginning July 1, 2006, future payments are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2007	\$ 45,000	\$10,864	\$ 55,864
2008	50,000	8,378	58,378
2009	50,000	5,854	55,854
2010	55,000	3,105	58,105
2011	<u>55,000</u>	<u>243</u>	<u>55,243</u>
TOTALS	<u>\$255,000</u>	<u>\$28,444</u>	<u>\$283,444</u>

On November 22, 2005, the County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) in the amount of \$ 262,900. This lease was authorized for the purpose of acquiring a ditching machine for the road department. Annual principal payments and monthly interest payments are to be made beginning January 1, 2006, with final payment due on July 20, 2008. Prior to May 1 of each fiscal year during the lease term, the County is informed of the interest rate set for the next fiscal year. Based on the rate of 4.25 percent provided for the fiscal year beginning July 1, 2006, future payments are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2007	\$ 90,000	\$ 8,850	\$ 98,850
2008	90,000	4,677	94,677
2009	<u>82,900</u>	<u>374</u>	<u>83,274</u>
TOTALS	<u>\$262,900</u>	<u>\$13,901</u>	<u>\$276,801</u>

(Continued)

McCRACKEN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

Note 3 - Detail Notes on Transaction Classes/Accounts:

Lease Agreements

On December 7, 2005, the County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) in the amount of \$ 400,000. This lease was authorized for the purpose of real property development in the Riverport area. Annual principal payments and monthly interest payments are to be made beginning January 20, 2006, with final payment due on July 20, 2012. Prior to May 1 of each fiscal year during the lease term, the County is informed of the interest rate set for the next fiscal year. Based on the rate of 4.25 percent provided for the fiscal year beginning July 1, 2006, future payments are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2007	\$ 50,000	\$17,364	\$ 67,364
2008	50,000	15,335	65,335
2009	55,000	12,800	67,800
2010	55,000	10,047	65,047
2011	60,000	7,061	67,061
2012-2013	<u>130,000</u>	<u>4,136</u>	<u>134,136</u>
TOTALS	<u>\$400,000</u>	<u>\$66,743</u>	<u>\$466,743</u>

Long-Term Debt

General Obligation Note Payable

On June 1, 2001, the County issued a note payable to the City of Paducah, Kentucky (City) in the amount of \$4,645,000. The note was authorized for the purpose of financing the County's contributions to the construction of additions and renovations to the Julian Carroll Convention Center and the construction of a new Four Rivers Center for the Performing Arts and for paying necessary expenses incidental to the Projects and the issuance of the City's General Obligation Bonds (the City's Bonds), Series 2001, dated June 1, 2001, in the principal amount of \$9,290,000. The note has interest rates of 3.5 percent to 5 percent and interest payments are to be made semi-annually beginning December 1, 2001. Principal payments are to be made annually on June 1 with final payment due June 1, 2026.

Under the provisions of KRS 91A.392, the County is entitled to levy and collect a transient room tax in the amount of 6 percent for the rent of rooms by motels, motor courts, hotels, inns and similar accommodation businesses for the benefit of the Paducah-McCracken County Tourist and Convention Commission (the Bureau) and the Paducah-McCracken County Convention Corporation (the Corporation). The County has entered into a certain Interlocal Cooperation Compact (the Compact) with the City, the Bureau, and the Corporation pursuant to KRS 65.210 through 65.300 (the Interlocal Cooperation Act). Under the terms of the Compact, the parties have agreed that 33 1/3 percent of the Room Tax (the Pledged Tax) shall be assigned to the City and pledged to the payment of the City's Bonds. In addition, the Compact provides that the difference between the annual principal and interest requirements of the City's Bonds and the pledged tax shall be borne equally by the County, the City and the Bureau. Therefore, the principal and interest payments due on the Note from the County to the City shall each year be subject to a credit in favor of the County equal to the total of (a) the Pledged Tax, plus (b) 33 1/3 percent of the Overage to be paid by the Bureau, plus (c) 33 1/3 percent of the Overage to be paid by the City.

(Continued)

McCRACKEN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

Note 3 - Detail Notes on Transaction Classes/Accounts:

General Obligation Note Payable

The future note payments shown below are the maximum that would be paid by the County in the event that the room tax levied were to be declared unconstitutional. The future payments are as follows:

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total Payment
2007	\$ 122,500	\$ 163,800	\$ 286,300
2008	130,000	158,900	288,900
2009	135,000	153,700	288,700
2010	140,000	164,984	304,984
2011	147,500	160,538	308,038
2012-2016	857,500	713,578	1,571,078
2017-2021	1,110,000	512,976	1,622,976
2022-2026	<u>1,445,000</u>	<u>224,460</u>	<u>1,669,460</u>
TOTALS	<u>\$4,087,500</u>	<u>\$2,252,936</u>	<u>\$6,340,436</u>

General Obligation Bonds Payable

On September 1, 2004, the McCracken County Public Properties Corporation (Corporation) issued \$6,025,000 in Revenue Refunding Bonds (2004 Series) with an average interest rate of 4.082 percent.

The County has previously defeased (refunded) certain prior bonds by placing the proceeds of new bonds in an irrevocable trust to provide for the future debt service payments on the prior bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in these financial statements. The outstanding balances of the defeased (refunded) bonds at June 30, 2006, are \$5,735,000.

The Kentucky Administrative Office of the Courts (A.O.C.) has agreed to pay 47.2 percent, with a maximum of \$246,800 annually to the paying agent on behalf of the Corporation as required by a Use and Sublease Agreement between the Public Properties Corporation and the A.O.C. dated September 1, 2004. If the payment from the Sublease Agreement is not sufficient to meet the principal and interest requirements of the bonds, the Corporation is contingently liable for the Administrative Office of the Court's payments. The future payments are as follows:

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total Payment
2007	\$ 310,000	\$ 212,723	\$ 522,723
2008	310,000	203,423	513,423
2009	320,000	193,973	513,973
2010	330,000	183,810	513,810
2011	335,000	173,004	508,004
2012-2016	1,875,000	673,508	2,548,508
2017-2021	1,135,000	356,595	1,491,595
2022-2026	1,080,000	137,332	1,217,332
2027	<u>30,000</u>	<u>713</u>	<u>30,713</u>
TOTALS	<u>\$5,725,000</u>	<u>\$2,135,081</u>	<u>\$7,860,081</u>

(Continued)

McCRACKEN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

Note 3 - Detail Notes on Transaction Classes/Accounts:

General Obligation Note Payable

On May 1, 2004, the County issued a note payable to the City of Paducah, Kentucky (City) in the amount of \$2,500,000. The note was authorized for the purpose of financing the County's contributions to the acquisition, construction and installation of an approximately 100,000 square foot building to be leased by the City and County to the Paducah McCracken Industrial Development Authority and the issuance of the City's General Obligation Public Project Bonds, Series 2004, dated June 1, 2004, in the principal amount of \$5,000,000. The note has interest rates of 2.25 percent to 6 percent and interest payments are to be made semi-annually beginning December 1, 2004. Principal payments are to be made annually on June 1 with the final payment due on June 1, 2024. The future payments are as follows:

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total Payment
2007	\$ 82,500	\$ 128,190	\$ 210,690
2008	87,500	125,302	212,802
2009	90,000	121,803	211,803
2010	92,500	117,753	210,253
2011	97,500	113,312	210,812
2012-2016	572,500	485,281	1,057,781
2017-2021	752,500	306,000	1,058,500
2022-2024	<u>565,000</u>	<u>69,150</u>	<u>634,150</u>
TOTALS	<u>\$2,340,000</u>	<u>\$1,466,791</u>	<u>\$3,806,791</u>

Changes In Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Bonds payable, net of related discounts and reacquisition costs	\$ 5,417,570	\$ 57,181	\$300,000	\$ 5,174,751	\$255,178
Landfill post-closure	2,062,500	-	-	2,062,500	-
Accrued compensated absences	339,735	64,085	-	403,820	-
Obligations under capital lease	763,853	662,900	151,200	1,275,553	294,368
Note payable, net of related discounts	<u>6,532,676</u>	<u>15,176</u>	<u>205,000</u>	<u>6,342,852</u>	<u>205,102</u>
GOVERNMENTAL ACTIVITIES					
LONG-TERM LIABILITIES	<u>\$15,116,334</u>	<u>\$ 799,342</u>	<u>\$656,200</u>	<u>\$15,259,476</u>	<u>\$754,648</u>

Interest on Long-term Debt

Debt service on the Statement of Activities includes \$674,911 in total interest expense.

(Continued)

McCRACKEN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

Note 4 - Other Notes:

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contingencies

Grant Program Involvement

In the normal course of operations, the County participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of that is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Restatement of Beginning Fund Balance/Net Assets

General Fund

The County collects occupational tax revenue on a quarterly basis, and as of June 30, 2005, the unrecorded occupational tax due to the County was \$921,715. This tax revenue was collected within the 60 day window for revenue recognition on the modified accrual basis of accounting as discussed in Note 1, accordingly beginning fund balance was restated as follows:

	<u>General Fund</u>
June 30, 2005, as previously reported	\$5,823,623
Adjustments to fund balances	<u>921,715</u>
June 30, 2005, balance as restated	<u><u>\$6,745,338</u></u>

Governmental Activities

In addition to the \$921,715 mentioned above, the County previously recognized \$2,982,086 in unbilled property taxes which had not yet been levied as of June 30, 2005, and should not have been recognized as tax revenue. Accordingly, beginning net assets were restated as follows:

	<u>Governmental Activities</u>
June 30, 2005, as previously reported	\$50,126,222
Adjustment to net assets	<u>(2,060,371)</u>
June 30, 2005, balance as restated	<u><u>\$48,065,851</u></u>

(Continued)

McCRACKEN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

Note 4 - Other Notes:

Employee Retirement System

The County has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The County's contribution rate for nonhazardous employees was 10.98 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The County's contribution rate for hazardous employees was 25.01 percent. These actuarially determined rates are established and amended by the Board of Trustees of the system and were equal to the required contributions for the year. The contribution requirements and the amounts contributed to CERS were \$1,395,453, \$1,232,229 and \$973,610 respectively, for the years ended June 30, 2006, 2005 and 2004.

Benefits fully vest on reaching five years of service for all employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Deferred Compensation

On November 9, 1982, the McCracken County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full-time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is present in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862.

Insurance

For the fiscal year ended June 30, 2006, McCracken County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

(Continued)

McCRACKEN COUNTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

Note 4 - Other Notes:

Landfill Closure and Post-Closure Costs

The County landfill closed to the public on June 30, 1995. The County must comply with established state and federal landfill closure procedures and must perform maintenance and monitoring procedures at the site for thirty years after closure. The 30-year period will begin upon approval from the Commonwealth of Kentucky regarding the environmental condition of the landfill site. As of June 30, 2006, approval had not yet been granted. Estimated post-closure care costs total \$4,125,000 or \$125,000 per year plus 10 percent for inflation. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. In the year ending June 30, 2001, the County entered into an inter-local agreement with the City of Paducah, Kentucky to share equally the costs for post-closure and, accordingly, the County has recorded a long-term liability for 50 percent of the estimated closure expense. The City of Paducah, Kentucky will reimburse the County annually for its share of closure costs incurred during the fiscal year. It is anticipated that post-closure costs will be paid out of the General Fund to the extent that funds are available with any excess costs being funded using long-term borrowings.

Other Commitments

On December 16, 2004, the Paducah-McCracken County Industrial Development Authority Economic Development Refunding and Improvement Revenue Notes, Series 2004 were approved, with both the City of Paducah and the County serving as guarantors. This is a variable rate 5-year note, with quarterly interest payments only due for the first two years. After that, monthly principal and interest payments will be made. The final balloon payment is due on the sixtieth month of the note. An agency agreement was signed between the County and the Industrial Development Authority assigning the County oversight of the financial activity of this project. The balance of the note at June 30, 2006, is \$584,523.

The Industrial Development Authority has financed a total of \$700,000 for the purpose of construction of a new speculative building. The entire loan balance will be due within 60 days of the sale or lease of the facility or within six years from the date of proceeds disbursement. The City of Paducah and the County serve as guarantors for this debt. The County signed an agency agreement with the Industrial Development Authority assigning the County oversight of the financial activity of this project.

On March 26, 2006, G.P.E.D.C., Inc. entered into a loan agreement with an area bank. The City of Paducah and the County serve as guarantors for the debt. At June 30, 2006, the balance of the debt totaled \$443,751 and matures February 25, 2007. The debt carries a variable rate of interest that was 6.8 percent at June 30, 2006.

Estimated Infrastructure Historical Cost

Infrastructure historical cost on infrastructure placed in service prior to the year ended June 30, 2003, is an estimate. The primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Infrastructure placed in service beginning June 30, 2003, and thereafter is based on actual cost.

Related Party Transactions

The County paid Emergency Equipment Specialists, Inc., which is owned by a deputy of the Sheriff's department, \$61,315 for equipment in the Sheriff's department.

REQUIRED SUPPLEMENTARY INFORMATION

McCRACKEN COUNTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund			
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Budgetary Basis)	with Final Budget Over (Under)
Revenues:				
Taxes:				
Property	\$ 3,420,000	\$ 3,420,000	\$ 4,127,004	\$ 707,004
Payroll	4,200,000	4,200,000	5,387,872	1,187,872
Payments in lieu of taxes	725,000	725,000	839,567	114,567
Total taxes	8,345,000	8,345,000	10,354,443	2,009,443
Intergovernmental:				
Intergovernmental	681,000	681,000	884,896	203,896
Charges for services:				
County Clerk - excess fees	39,210	39,210	48,462	9,252
County Attorney - excess fees	15,000	15,000	10,700	(4,300)
Licenses and permits	342,000	342,000	466,808	124,808
Charges for services	205,000	205,000	258,105	53,105
Total charges for services	601,210	601,210	784,075	182,865
Miscellaneous:				
Interest	40,000	40,000	194,509	154,509
Rent	175,000	175,000	185,502	10,502
Other	257,500	257,500	408,982	151,482
Total miscellaneous	472,500	472,500	788,993	316,493
Total revenues	10,099,710	10,099,710	12,812,407	2,712,697
Expenditures:				
General government:				
Office of County Judge/Executive:				
Salaries:				
County Judge/Executive	86,234	87,694	87,693	(1)
Deputy County Judge/Executive	35,735	35,735	35,717	(18)
Secretary	28,188	28,188	28,173	(15)
Office materials and supplies	5,000	3,540	2,403	(1,137)
Office equipment	3,500	500	118	(382)
Total office of County Judge/Executive	158,657	155,657	154,104	(1,553)
Office of County Attorney:				
Salaries:				
County Attorney	43,514	52,335	52,335	-
Assistant	37,789	37,789	35,018	(2,771)
Secretaries	111,887	111,887	111,813	(74)
Child support staff	294,550	354,016	354,016	-
Office supplies	100	100	-	(100)
Total office of County Attorney	487,840	556,127	553,182	(2,945)

(Continued)

McCRACKEN COUNTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund			
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Budgetary Basis)	with Final Budget Over (Under)
Expenditures:				
General government:				
Office of County Clerk:				
County Clerk salary	\$ 600	\$ 600	\$ 550	\$ (50)
Legal notices, recording, and court cost	50,000	52,050	52,049	(1)
Total office of County Clerk	50,600	52,650	52,599	(51)
Office of County Coroner:				
Salaries:				
County Coroner	46,952	47,747	47,747	-
Deputy Coroners	17,440	17,440	17,432	(8)
Incentive pay	3,000	-	-	-
Contract labor	1,000	474	400	(74)
Autopsies and attendant service	10,000	12,731	12,731	-
Supplies and materials	2,500	2,500	1,942	(558)
Uniforms	1,500	1,500	1,196	(304)
Registrations, conferences, and training	2,500	1,297	229	(1,068)
Travel	4,500	5,703	5,703	-
Other equipment	3,000	3,000	1,597	(1,403)
Total office of County Coroner	92,392	92,392	88,977	(3,415)
Fiscal Court:				
Commissioners:				
Salaries	59,610	60,630	60,630	-
Incentive pay	14,000	14,000	12,992	(1,008)
Advertising	9,000	15,689	15,689	-
Courthouse consultants	83,642	78,544	78,543	(1)
Data processing services	30,000	3,343	3,343	-
Office supplies	35,000	17,922	17,921	(1)
Memberships	12,000	5,672	5,672	-
Memberships KACO	2,500	4,200	4,200	-
Postal charges	20,000	13,263	13,262	(1)
Registrations, conferences, and training	15,000	24,628	24,628	-
Motor vehicles	180,000	119,320	119,320	-
Total Fiscal Court	460,752	357,211	356,200	(1,011)
Office of Property Valuation:				
Administration:				
Statutory contribution	101,300	101,300	101,298	(2)
Board of assessment	500	500	-	(500)
Total office of property valuation	101,800	101,800	101,298	(502)

(Continued)

McCRACKEN COUNTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

Expenditures:	General Fund			
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Budgetary Basis)	with Final Budget Over (Under)
General government:				
Office of County Treasurer:				
County Treasurer salary	\$ 41,387	\$ 41,764	\$ 41,764	\$ -
Refunds	-	220,846	220,846	-
Office materials and supplies	2,000	2,413	2,413	-
Registration conferences and training	1,500	1,637	1,636	(1)
Office equipment	2,000	3,335	3,334	(1)
Finance officer	35,734	36,060	36,060	-
Total office of County Treasurer	82,621	306,055	306,053	(2)
Office of Tax Administrator:				
Salaries:				
Supervisor	44,958	34,043	34,042	(1)
Assistant supervisor	31,007	31,317	31,316	(1)
Clerk	24,732	24,732	23,171	(1,561)
Office materials and supplies	6,500	2,371	2,371	-
Travel	2,000	2,000	1,333	(667)
Office equipment	2,100	2,100	-	(2,100)
Data processing development	225,000	91,517	91,517	-
Total office of Tax Administrator	336,297	188,080	183,750	(4,330)
County Law Library:				
Law Librarian salary	1,200	1,200	1,200	-
Elections:				
Board Members' fees	400	400	400	-
Per diem:				
Election officers	50,000	18,700	18,700	-
Election commissioners	3,360	476	-	(476)
Tabulators	4,800	525	525	-
Per diem and fees	11,000	15,600	15,600	-
Advertising	12,000	-	-	-
Maintenance and repairs - voting machines	1,000	30,584	23	(30,561)
Polling places	3,600	3,600	2,150	(1,450)
Supplies and materials	18,500	11,283	11,282	(1)
Printing	60,000	10,103	10,102	(1)
Renewals and repairs	1,000	1,000	-	(1,000)
Total elections	165,660	92,271	58,782	(33,489)

(Continued)

McCRACKEN COUNTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund			
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Budgetary Basis)	with Final Budget Over (Under)
Expenditures:				
General government:				
Economic development:				
Planning Commission salaries	\$ 4,320	\$ 4,320	\$ 4,320	\$ -
Greater Paducah Economic Development Council	300,000	300,000	297,122	(2,878)
Chamber dues	17,500	1,075	1,075	-
Other	250,000	729,590	729,589	(1)
Total economic development	571,820	1,034,985	1,032,106	(2,879)
County Administrator:				
Salaries:				
County Administrator	76,341	76,341	76,303	(38)
Office supplies	3,000	3,000	2,414	(586)
Travel	2,000	2,162	2,162	-
Office equipment	1,500	1,338	730	(608)
Total County Administrator	82,841	82,841	81,609	(1,232)
Courthouse:				
Salaries:				
Custodial personnel	46,430	36,181	36,180	(1)
Maintenance and grounds salaries	44,936	54,269	54,269	-
Overtime pay	5,000	635	634	(1)
Janitorial services	10,000	-	-	-
Custodial supplies	18,000	20,497	20,496	(1)
Office supplies	100	100	-	(100)
Uniforms	2,000	2,752	2,708	(44)
Renewals and repairs	85,000	72,490	72,489	(1)
Utilities	125,000	147,312	147,312	-
New equipment	50,000	15,858	15,790	(68)
Total courthouse	386,466	350,094	349,878	(216)
Courthouse security:				
Salaries:				
Secretary	27,773	27,773	27,759	(14)
Security staff	125,000	99,388	99,387	(1)
Equipment	4,000	648	648	-
Office supplies	2,000	1,352	32	(1,320)
Uniforms	2,000	2,000	1,369	(631)
Registration, conferences and training	1,000	1,000	-	(1,000)
Total courthouse security	161,773	132,161	129,195	(2,966)

(Continued)

McCRACKEN COUNTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

Expenditures:	General Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
General government:				
Administration:				
General services:				
Audit services	\$ 50,000	\$ 34,328	\$ 34,327	\$ (1)
Planning consultant	100,000	-	-	-
Purchase Area Development				
District	7,500	7,500	7,207	(293)
Contributions	5,700	3,600	3,600	-
Insurance:				
Buildings and contents	120,000	120,000	120,000	-
Errors and omissions	38,000	-	-	-
Liability	76,000	76,003	76,002	(1)
Fidelity and surety	3,500	13,045	13,045	-
Professional liability	100,000	72,243	72,243	-
Vehicles and equipment	176,000	176,002	176,002	-
Telephone	125,000	129,556	129,555	(1)
Miscellaneous	1,000	252,254	252,254	-
Contingent appropriations	450,000	-	-	-
Fringe benefits:				
County contributions:				
Social Security	220,000	200,992	200,991	(1)
Retirement	185,000	422,522	422,522	-
Health insurance	325,000	1,118,197	1,118,197	-
Unemployment insurance	29,000	16,197	16,196	(1)
Workmen's compensation	86,000	42,674	42,674	-
Total administration	2,097,700	2,685,113	2,684,815	(298)
Total general government	5,238,419	6,188,637	6,133,748	(54,889)
Public safety:				
Building and electrical inspection				
Department:				
Salaries:				
Deputy	74,518	74,518	74,481	(37)
Supervisor	44,959	44,959	44,936	(23)
Secretary	24,732	24,732	24,719	(13)
Law enforcement	3,500	2,675	2,606	(69)
Office materials and supplies	4,500	5,386	4,889	(497)
Registrations, conferences, and training	4,000	4,000	2,708	(1,292)
Travel	10,500	10,409	14,850	4,441
Equipment	2,500	2,291	1,600	(691)
Litter abatement technician	25,000	25,239	25,239	-
Code enforcement director	34,035	34,035	31,477	(2,558)

(Continued)

McCRACKEN COUNTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund			
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Budgetary Basis)	with Final Budget Over (Under)
Expenditures:				
Public safety:				
Building and electrical inspection				
Department:				
Abatement materials and supplies	\$ 13,200	\$ 612	\$ 612	\$ -
Uniforms	500	500	340	(160)
Total building and electrical inspection	241,944	229,356	228,457	(899)
Department of Emergency Services:				
Salaries:				
Supervisor	38,289	38,289	38,270	(19)
Supplies and materials	39,000	85,098	85,098	-
Renewals and repairs	3,500	6,798	6,798	-
Utilities	6,000	8,370	8,370	-
Communication equipment	14,000	27,510	27,509	(1)
Other equipment	12,000	10,826	10,826	-
Ambulance service:				
Emergency 911	235,000	235,000	233,959	(1,041)
Total Department of Emergency Services	347,789	411,891	410,830	(1,061)
Forestry fire protection:				
Forest resource services	1,000	1,000	992	(8)
Public defender allotment	8,190	8,190	8,189	(1)
Total forestry fire protection	9,190	9,190	9,181	(9)
Total public safety	598,923	650,437	648,468	(1,969)
Health and sanitation:				
Animal control:				
Animal control officer	94,753	94,808	94,807	(1)
Animal food and supplies	5,000	5,000	2,231	(2,769)
Uniforms	1,500	876	541	(335)
Vehicle expense	5,000	5,000	2,855	(2,145)
Registrations, conferences				
and training	3,000	3,109	3,108	(1)
Contributions - Humane Society	19,100	19,560	19,560	-
Travel	13,200	13,200	10,976	(2,224)
Total animal control	141,553	141,553	134,078	(7,475)
Sanitary landfill:				
Engineering services	20,000	-	-	-
Evaluation and testing	50,000	55,245	55,244	(1)
Explosive and drilling services	10,000	-	-	-
Solid waste	30,000	20,786	19,999	(787)
Utilities	4,000	7,969	7,969	-
Total sanitary landfill	114,000	84,000	83,212	(788)

(Continued)

McCRACKEN COUNTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
Expenditures:	Original	Final		
Health and sanitation:				
Soil conservation:				
Contribution	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
Total health and sanitation	280,553	250,553	242,290	(8,263)
Social services:				
Service to indigents:				
Family service	12,500	50,138	50,137	(1)
Senior citizens program:				
Contribution	13,500	13,500	13,200	(300)
Cemeteries and memorials:				
Pauper burials	4,000	6,430	6,430	-
Transportation	12,000	12,000	12,000	-
Paducah Area Transit System	45,000	45,000	45,000	-
Total social services	87,000	127,068	126,767	(301)
Recreation and culture:				
Carson Park:				
Salaries:				
Supervisor	45,489	49,086	49,086	-
Uniforms	550	550	223	(327)
Renewals and repairs	40,000	24,704	24,703	(1)
Equipment	9,000	-	-	-
New construction	5,000	5,000	2,203	(2,797)
Utilities	25,000	51,400	51,400	-
Total Carson Park	125,039	130,740	127,615	(3,125)
Other recreation programs:				
County park recreation	40,000	55,654	55,654	-
County park projects	15,000	-	-	-
Capital outlay	10,000	20,000	20,000	-
Total other recreation programs	65,000	75,654	75,654	-
Total recreation and culture	190,039	206,394	203,269	(3,125)
Total general fund expenditures	6,394,934	7,423,089	7,354,542	(68,547)
Revenues over (under) expenditures before other financing sources (uses)	3,704,776	2,676,621	5,457,865	2,781,244

(Continued)

McCRACKEN COUNTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund		
	Budgeted Amounts		Actual
	Original	Final	Amounts (Budgetary Basis)
Other Financing Sources (Uses):			Variance with Final Budget Over (Under)
Transfers in	\$ -	\$ -	\$ 2,601,745
Transfers out	(6,156,460)	(6,156,460)	(8,118,950)
CoLT Proceeds	-	400,000	400,000
Total other financing sources (uses)	(6,156,460)	(5,756,460)	(5,117,205)
Revenues over (under) expenditures	(2,451,684)	(3,079,839)	340,660
Fund balance, July 1, 2005	17,500	(551,427)	5,413,639
FUND BALANCES, JUNE 30, 2006	<u>\$(2,434,184)</u>	<u>\$(3,631,266)</u>	<u>\$ 5,754,299</u>

McCRACKEN COUNTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Road Fund			
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Budgetary Basis)	with Final Budget Over (Under)
Revenues:				
Intergovernmental:				
Municipal road aid	\$ 329,000	\$ 329,000	\$ 349,025	\$ 20,025
County road aid	689,000	689,000	789,667	100,667
Road state grant	530,000	530,000	310,525	(219,475)
Total Intergovernmental	1,548,000	1,548,000	1,449,217	(98,783)
Fees and fines:				
Licenses and permits	196,000	196,000	230,699	34,699
Miscellaneous:				
Other	1,000	1,000	33,103	32,103
Total revenues	1,745,000	1,745,000	1,713,019	(31,981)
Expenditures:				
General government:				
Salaries:				
Road Supervisor	46,288	46,288	46,265	(23)
Foreman	44,436	44,436	44,414	(22)
Office Supervisor	34,823	34,823	34,806	(17)
Contracts with private agencies	50,000	70,794	70,794	-
Office materials and supplies	4,000	9,629	9,629	-
Registrations, conferences, and training	4,000	2,976	2,423	(553)
Utilities	19,000	19,202	19,202	-
Office equipment	3,000	-	-	-
Motor vehicles	35,000	35,000	32,198	(2,802)
Insurance - liability	20,700	8,096	-	(8,096)
Insurance - equipment	6,600	6,600	-	(6,600)
Social Security	117,000	77,853	51,917	(25,936)
Retirement	96,000	96,000	76,555	(19,445)
Health and dental insurance	115,000	-	-	-
Workmen's compensation	108,000	108,000	75,690	(32,310)
Total general government	703,847	559,697	463,893	(95,804)
Highways and streets:				
Road labor salaries	694,400	557,035	550,903	(6,132)
Overtime pay	50,000	58,536	58,535	(1)
County road aid	610,783	69,866	69,865	(1)
Bridge Construction	-	29,271	29,271	-
Equipment rental	10,000	11,602	11,602	-
Machinery and equipment	430,000	539,388	539,387	(1)

(Continued)

McCRACKEN COUNTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Road Fund			
	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Budgetary Basis)	with Final Budget Over (Under)
Expenditures:				
Highways and streets:				
Road materials	\$ 199,755	\$ 576,484	\$ 576,483	\$ (1)
Uniforms	15,000	15,000	8,115	(6,885)
Renewals and repairs	10,000	10,000	3,852	(6,148)
Total highways and streets	2,019,938	1,867,182	1,848,013	(19,169)
Total road fund expenditures	2,723,785	2,426,879	2,311,906	(114,973)
Revenues over (under) expenditures before other financing sources (uses)	(978,785)	(681,879)	(598,887)	82,992
Other Financing Sources (Uses):				
Transfers in	978,785	978,785	1,353,850	375,065
Transfers out	-	-	(1,017,863)	(1,017,863)
CoLT Proceeds	-	262,900	262,900	-
Total other financing sources (uses)	978,785	1,241,685	598,887	(642,798)
Revenues over (under) expenditures	-	559,806	-	<u>\$ (559,806)</u>
Fund balance, July 1, 2005	-	509,854	-	
FUND BALANCES, JUNE 30, 2006	<u>\$ -</u>	<u>\$1,069,660</u>	<u>\$ -</u>	

McCRACKEN COUNTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Jail Fund			
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Budgetary Basis)	with Final Budget Over (Under)
Revenues:				
Intergovernmental:				
State jail allotment	\$ 250,000	\$ 250,000	\$ 254,313	\$ 4,313
State medical allotment	15,000	15,000	15,698	698
Total Intergovernmental	265,000	265,000	270,011	5,011
Fees and fines:				
Housing prisoners	1,100,000	1,448,000	1,320,090	(127,910)
DUI fees	19,000	19,000	18,239	(761)
Court costs	30,000	30,000	39,062	9,062
Jail bond acceptance fees	5,000	5,000	5,526	526
General prisoner fees	55,000	55,000	77,193	22,193
Total fees and fines	1,209,000	1,557,000	1,460,110	(96,890)
Miscellaneous:				
Telephone commissions	100,000	100,000	269,796	169,796
Home incarceration fees	90,000	90,000	80,345	(9,655)
Other	135,000	135,000	137,927	2,927
Total miscellaneous	325,000	325,000	488,068	163,068
Total revenues	1,799,000	2,147,000	2,218,189	71,189
Expenditures:				
General government:				
Office of Jailer:				
Personnel services:				
Salaries:				
Jailer	86,234	93,789	93,789	-
Jail personnel	1,023,440	1,121,260	1,121,259	(1)
Medical personnel	207,096	204,242	204,242	-
Secretaries	81,309	60,480	60,479	(1)
Food service personnel	169,895	154,766	154,765	(1)
Maintenance and grounds personnel	73,328	40,110	40,110	-
Incentive pay	5,000	-	-	-
Overtime pay	180,000	241,079	241,078	(1)
Fringe benefits:				
County contributions:				
Social Security	140,000	132,722	132,722	-
Retirement	457,000	449,025	449,025	-
Health insurance	377,000	-	-	-
Workmen's compensation	125,000	75,690	75,690	-
Total office of Jailer	2,925,302	2,573,163	2,573,159	(4)

(Continued)

McCRACKEN COUNTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Jail Fund			
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Budgetary Basis)	with Final Budget Over (Under)
Expenditures:				
General government:				
General services:				
Insurance	\$ 37,950	\$ -	\$ -	\$ -
Memberships	2,200	-	-	-
Registrations, conferences, and training	5,000	1,729	1,728	(1)
Total general services	45,150	1,729	1,728	(1)
Total general government	2,970,452	2,574,892	2,574,887	(5)
Public safety:				
Operations:				
Contracts with government agencies	25,000	-	-	-
Maintenance:				
Building repairs	20,000	4,156	4,155	(1)
Equipment repairs	50,000	122,706	122,706	-
Pest control	5,000	3,250	3,250	-
Solid waste	2,000	-	-	-
K-9 supplies	1,500	-	-	-
Building and maintenance supplies	20,000	21,980	21,980	-
Custodial supplies	60,000	191,323	191,323	-
Food preparation and serving supplies	25,000	53,506	53,506	-
Food	680,000	866,592	866,592	-
Linens	10,000	7,865	7,865	-
Office supplies	9,000	40,215	40,215	-
Personal hygiene	40,000	17,140	17,140	-
Prisoner clothing	20,000	28,320	28,320	-
Uniforms	20,000	21,847	21,846	(1)
Routine medical	350,000	686,130	686,130	-
Mental health	60,000	25,000	25,000	-
Telephone	3,000	114,458	114,458	-
Travel	2,000	2,846	2,845	(1)
Utilities	220,000	302,688	302,687	(1)
Vehicle expense	5,000	23,021	23,021	-
Miscellaneous	1,000	449	448	(1)
Lease payments	15,000	13,935	13,934	(1)
Communication equipment	5,000	6,330	6,329	(1)
Data processing equipment	10,000	7,383	7,383	-
Food service equipment	10,000	-	-	-

(Continued)

McCRACKEN COUNTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Jail Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
Expenditures:	Original	Final		
Public safety:				
Operations:				
Maintenance:				
Furniture and fixtures	\$ 5,000	\$ 3,370	\$ 3,370	\$ -
Office equipment	3,000	-	-	-
Total public safety	1,676,500	2,564,510	2,564,503	(7)
Total jail fund expenditures	4,646,952	5,139,402	5,139,390	(12)
Revenues over (under) expenditures before other financing sources (uses)	(2,847,952)	(2,992,402)	(2,921,201)	71,201
Other Financing Sources (Uses):				
Transfers in	2,847,952	2,847,952	2,923,433	75,481
Revenues over (under) expenditures	-	(144,450)	2,232	\$ 146,682
Fund Balances, July 1, 2005	-	(477,893)	-	
FUND BALANCES, JUNE 30, 2006	\$ -	\$ (622,343)	\$ 2,232	

McCRACKEN COUNTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Sheriff Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
Revenues:	Original	Final		
Intergovernmental:				
Incentive pay	\$ 8,000	\$ 8,000	\$ 7,816	\$ (184)
Fees and fines:				
Sheriff fees	1,150,000	1,150,000	1,337,135	187,135
Miscellaneous:				
Other	1,000	1,000	-	(1,000)
Total revenues	1,159,000	1,159,000	1,344,951	185,951
Expenditures:				
General government:				
Salaries:				
Sheriff	86,552	87,683	87,683	-
Deputies	1,055,485	1,047,040	1,024,175	(22,865)
Overtime pay	125,000	162,278	162,277	(1)
Incentive pay	108,503	110,238	110,237	(1)
Law enforcement service fees	1,500	979	979	-
Advertising tax bills	48,000	55,149	54,485	(664)
Ammunition	2,000	520	520	-
Motor vehicle parts	54,000	82,220	82,220	-
Office materials and supplies	28,000	23,007	23,006	(1)
Petroleum products	100,000	127,085	127,084	(1)
Uniforms	16,000	8,174	8,174	-
Gun range	2,500	2,000	2,000	-
Postal charges	15,000	13,615	13,614	(1)
Travel	15,000	5,549	5,549	-
Communication equipment	12,000	10,899	10,898	(1)
Other equipment	15,000	9,105	9,105	-
Registrations, conferences, and training	3,500	1,839	1,838	(1)
Fringe benefits:				
Social Security	103,140	94,851	94,850	(1)
Retirement	337,190	335,027	335,026	(1)
Health insurance	248,640	2,000	2,000	-
Workmen's compensation	90,750	75,691	75,690	(1)
Total sheriff's fund expenditures	2,467,760	2,254,949	2,231,410	(23,539)
Revenues over (under) expenditures before other financing sources (uses)	(1,308,760)	(1,095,949)	(886,459)	209,490

(Continued)

McCRACKEN COUNTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Sheriff Fund		
	Budgeted Amounts		Actual
	Original	Final	Amounts (Budgetary Basis)
Other Financing Sources (Uses):			Variance with Final Budget Over (Under)
Transfers in	\$ 1,308,760	\$ 1,308,760	\$ 1,327,076
Transfers out	-	-	(440,617)
Total other financing sources (uses)	1,308,760	1,308,760	886,459
Revenues over (under) expenditures	-	212,811	-
Fund balance, July 1, 2005	-	251,322	-
FUND BALANCES, JUNE 30, 2006	\$ -	\$ 464,133	\$ -

McCRACKEN COUNTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Federal Grant Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental:				
Federal reimbursements	\$2,153,772	\$2,153,772	\$1,660,917	\$ (492,855)
Local match	319,212	319,212	185,865	(133,347)
Total revenues	2,472,984	2,472,984	1,846,782	(626,202)
Expenditures:				
Federal grants:				
Federal grant expenditures	2,503,530	2,401,447	2,238,655	(162,792)
Total federal grant fund expenditures	2,503,530	2,401,447	2,238,655	(162,792)
Revenues over (under) expenditures before other financing sources (uses)	(30,546)	71,537	(391,873)	(463,410)
Other Financing Sources (Uses):				
Transfers in	-	-	1,379,853	1,379,853
Transfers out	-	-	(987,980)	(987,980)
Total other financing sources (uses)	-	-	391,873	391,873
Revenues over (under) expenditures	(30,546)	71,537	-	\$ (71,537)
Fund balances, July 1, 2005	-	(285,592)	48,838	
FUND BALANCES, JUNE 30, 2006	\$	\$ (214,055)	\$ 48,838	

McCRACKEN COUNTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Road Fund	Jail Fund	Sheriff Fund	Federal Grant Fund
Sources/Inflows of Resources:					
Actual amounts (budgetary basis)	\$12,812,407	\$1,713,019	\$2,218,189	\$1,344,951	\$1,846,782
Differences - budget to GAAP:					
The County budgets for revenues only to the extent they are expected to be received, rather than on the modified accrual basis.	(45,233)	54,660	140,442	(3,794)	268,510
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$12,767,174</u>	<u>\$1,767,679</u>	<u>\$2,358,631</u>	<u>\$1,341,157</u>	<u>\$2,115,292</u>
Uses/Outflows of Resources:					
Actual amounts (budgetary basis)	\$ 7,354,542	\$2,311,906	\$5,139,390	\$2,231,410	\$2,238,655
Differences - budget to GAAP:					
The County budgets for claims only to the extent they are expected to be paid, rather than on the modified accrual basis.	27,027	160,410	(114,918)	16,319	44,153
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 7,381,569</u>	<u>\$2,472,316</u>	<u>\$5,024,472</u>	<u>\$2,247,729</u>	<u>\$2,282,808</u>

McCRACKEN COUNTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE YEAR ENDED JUNE 30, 2006

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Office.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

SUPPLEMENTARY INFORMATION

McCRACKEN COUNTY, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Special Revenue Funds				Debt Service Fund	
			Local Government Economic Assistance Fund		Transient Room Holding Fund	Total Nonmajor Governmental Funds
<u>ASSETS</u>	Juvenile Justice Fund	State Grant Fund		Totals		
Cash in bank	\$ -	\$ -	\$ -	\$ -	\$55,036	\$ 55,036
Accounts receivable	-	51,335	-	51,335	-	51,335
Due from other funds	-	2,619	-	2,619	-	2,619
TOTAL ASSETS	\$ -	\$53,954	\$ -	\$ 53,954	\$55,036	\$108,990
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 13,478	\$53,954	\$ -	\$ 67,432	\$ -	\$ 67,432
Fund Balances:						
Reserved for:						
Debt service	-	-	-	-	55,036	55,036
Other	(13,478)	-	-	(13,478)	-	(13,478)
Total fund balances	(13,478)			(13,478)	55,036	41,558
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$53,954	\$ -	\$ 53,954	\$55,036	\$108,990

See auditor's report on pages 1-2.

McCRACKEN COUNTY, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Special Revenue Funds				Debt Service Fund	
			Local Government Economic Assistance Fund		Transient Room Holding Fund	Total Nonmajor Governmental Funds
Revenues:	Juvenile Justice Fund	State Grant Fund		Total		
Intergovernmental	\$ -	\$164,650	\$ 9,745	\$174,395	\$ -	\$174,395
Miscellaneous	-	-	-	-	554,036	554,036
Total revenues	-	164,650	9,745	174,395	554,036	728,431
Expenditures:						
Current:						
Public safety	126,285	-	-	126,285	-	126,285
Social services	-	157,674	-	157,674	231,926	389,600
Debt service:						
Principal	-	-	-	-	125,000	125,000
Interest	-	-	-	-	197,250	197,250
Total expenditures	126,285	157,674	-	283,959	554,176	838,135
Revenues over (under) expenditures before other financing sources (uses)	(126,285)	6,976	9,745	(109,564)	(140)	(109,704)
Other Financing Sources (Uses):						
Transfers in	136,179	78,506	-	214,685	-	214,685
Transfers out	-	(85,482)	(9,745)	(95,227)	-	(95,227)
Total other financing sources (uses)	136,179	(6,976)	(9,745)	119,458	-	119,458
Net change in fund balances	9,894	-	-	9,894	(140)	9,754
Fund balances, July 1, 2005	(23,372)	-	-	(23,372)	55,176	31,804
FUND BALANCES, JUNE 30, 2006	<u>\$ (13,478)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,478)</u>	<u>\$ 55,036</u>	<u>\$ 41,558</u>

See auditor's report on pages 1-2.

McCRACKEN COUNTY, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/Pass-Through Grantor/ Program Title:	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Homeland Security:			
Passed-through Kentucky Department of Military Affairs:			
Homeland Security Grant Program:			
Homeland Security Grant - Equipment	97.004	M-04597711	\$ 178,943
Hazardous Material Team - Part 1	97.004	M-02312992	2,456
Hazardous Material Team - Part 3	97.004	M-03255125	60,030
Hazardous Material Team - Administrative	97.004	M-03255396	23,798
Hazardous Material Team - Equipment	97.067	M-05324919	20,600
Hazardous Material Team	97.004	M-04600504	75,786
CERT	97.004	M-03432646	1,808
Anti-Terrorism Enhancement	97.004	M-04600450	147,420
Planning & Preparedness	97.004	M-04647883	2,500
Emergency Management Performance Grant	97.042	M-05029930	10,514
			<hr/>
Total U.S. Department of Homeland Security			523,855
			<hr/>
U.S. Department of Commerce:			
Passed-through Kentucky Transportation Cabinet:			
Economic Adjustment Assistance			
Industrial Park West Project	11.307	04-49-04948	1,253
			<hr/>
U.S. Department of Justice:			
Passed-through Kentucky Justice Cabinet:			
Title V - Delinquency Prevention Program	16.548	2001-JP-FX-0021	9,777
Direct program:			
Public Safety Partnership and Community Policing Grant:			
Edward Byrne Memorial Justice Assistance Grant	16.710	NA	10,150
			<hr/>
Total U.S. Department of Justice			19,927
			<hr/>
U.S. Department of Housing and Urban Development:			
Passed-through Kentucky Governor's Office for Local Development:			
Community Development Block Grant	14.228	M-04082671	845,625
			<hr/>
Elections Assistance Commission:			
Passed-through Kentucky Governor's Office for Local Development:			
Help America Vote Act Requirements Payments	90.401		315,280
			<hr/>
U.S. Department of Transportation:			
Passed-through Kentucky Governor's Office for Local Development:			
Highway and Planning Construction	20.205	C-04651836	213,307
			<hr/>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<hr/> <hr/> \$1,919,247

Note - This schedule is presented on the modified accrual basis of accounting.

WILLIAMS, WILLIAMS & LENTZ, LLP
CERTIFIED PUBLIC ACCOUNTANTS
601 JEFFERSON
PADUCAH, KENTUCKY 42001

J. RICHARD WALKER
JERRY G. SEVERNS
ROBERT R. ROBERTSON
C. SUZETTE CRONCH
MICHAEL F. KARNES
MARK A. THOMAS
ROGER G. HARRIS
J. DAVID BAILEY, III

G. LEON WILLIAMS, 1926-2004
H. WILLIAM LENTZ

MAILING ADDRESS
POST OFFICE BOX 2500
PADUCAH, KY 42002-2500

TELEPHONE
270-443-3643

FAX
270-444-0652

WEBSITE
www/cpa.com

**Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On
An Audit Of Financial Statements Performed In Accordance
With Government Auditing Standards**

Honorable Van Elliott Newberry,
McCracken County Judge/Executive
Honorable Danny Orazine, former
McCracken County Judge/Executive
Members of the McCracken County
Fiscal Court
McCracken County, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McCracken County, Kentucky as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered McCracken County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether McCracken County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management in a separate letter dated October 20, 2006.

This report is intended solely for the information and use of management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.



October 20, 2006

WILLIAMS, WILLIAMS & LENTZ, LLP
CERTIFIED PUBLIC ACCOUNTANTS
601 JEFFERSON
PADUCAH, KENTUCKY 42001

J. RICHARD WALKER
JERRY G. SEVERNS
ROBERT R. ROBERTSON
C. SUZETTE CRONCH
MICHAEL F. KARNES
MARK A. THOMAS
ROGER G. HARRIS
J. DAVID BAILEY, III

G. LEON WILLIAMS, 1926-2004
H. WILLIAM LENTZ

MAILING ADDRESS
POST OFFICE BOX 2500
PADUCAH, KY 42002-2500

TELEPHONE
270-443-3643

FAX
270-444-0652

WEBSITE
www/cpa.com

**Report On Compliance With Requirements Applicable
To Each Major Program And Internal Control Over Compliance
In Accordance With OMB Circular A-133**

Honorable Van Elliott Newberry,
McCracken County Judge/Executive
Honorable Danny Orazine, former
McCracken County Judge/Executive
Members of the McCracken County
Fiscal Court
McCracken County, Kentucky

Compliance

We have audited the compliance of McCracken County, Kentucky with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. McCracken County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of McCracken County's management. Our responsibility is to express an opinion on McCracken County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about McCracken County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of McCracken County's compliance with those requirements.

In our opinion, McCracken County, Kentucky complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of McCracken County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered McCracken County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "William, William & Lutz, LLP". The signature is written in a cursive, flowing style.

October 20, 2006

McCRACKEN COUNTY, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of McCracken County, Kentucky.
2. There are no reportable conditions or material weaknesses relative to the audit of the financial statements reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of McCracken County, Kentucky were disclosed during the audit.
4. There are no audit findings relative to the internal control over major federal award programs for McCracken County, Kentucky.
5. The auditor's report on compliance for the major federal awards program for McCracken County, Kentucky expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards program to be reported.
7. The programs tested as major programs included:

<u>Name</u>	<u>CFDA</u>
Homeland Security	97.004, 97.067, 97.042
Community Development Block Grant	14.228
Help America Vote Act Requirements Payments	90.401

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. McCracken County, Kentucky was determined to be a low-risk auditee.

B. Findings – Basic Financial Statements Audits

None

C. Findings and Questioned Costs – Major Federal Awards Program

None

Appendix A

CERTIFICATION OF COMPLIANCE –
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND PROGRAMS

MCCRACKEN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2006

CERTIFICATION OF COMPLIANCE –
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND PROGRAMS

MCCRACKEN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2006

Appendix A

The McCracken County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

Name
County Judge/Executive

Name
County Treasurer